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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

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(Mark One)

☑ QUARTERLY REPORT pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarter ended March 31, 1992

92-2207

☐ TRANSITION REPORT pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission file number 0-14451

Acap Corporation

(Exact name of Registrant as specified in its charter)

State of Incorporation:
Delaware

IRS Employer Id.:
25-1489730

Address of Principal Executive Office:
121 West Pike Street
Canonsburg, Pennsylvania 15317

Registrant's telephone number, including area code: (713) 974-2242

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ✓ Yes _____ No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

CLASS	OUTSTANDING AT MAY 13, 1992
Common Stock, Par Value $.10	3,084,429

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ACAP CORPORATION AND SUBSIDIARY

FORM 10-Q

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	None	

ACAP CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEET
MARCH 31, 1992 AND DECEMBER 31, 1991
(UNAUDITED)

ASSETS	1992	1991
Investments:		
Fixed maturities (at amortized cost)	$39,307,770	37,914,883
Equity securities (at market)	540,892	537,633
Mortgage loans	4,487,606	4,659,067
Real estate	1,332,759	1,332,759
Policy loans	8,122,709	8,143,552
Short-term investments	5,698,487	7,803,271
Total investments	59,490,223	60,391,165
Accrued investment income	751,271	795,297
Accounts receivable (less allowance for uncollectible accounts of $72,900 and $59,349)	194,621	240,577
Deferred policy acquisition costs	8,157,691	8,377,440
Property and equipment (less accumulated depreciation of $638,661 and $637,046)	282,322	306,272
Costs in excess of net assets of acquired business (less accumulated amortization of $191,565 and $176,829)	2,166,137	2,180,873
Other assets	476,052	460,272
	$71,518,317	72,751,896

Note: The balance sheet at December 31, 1991 has been taken from the audited financial statements at that date and condensed.

See accompanying notes to consolidated financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY

	1992	1991
Liabilities:		
Policy liabilities:		
Future policy benefits	$54,342,171	54,746,383
Contract claims	447,479	715,735
Unearned premiums	35,513	28,868
	54,825,163	55,490,986
Other policyholders' funds	1,725,496	1,724,981
Other liabilities	673,349	941,326
Notes payable	9,366,000	9,622,000
Total liabilities	66,590,008	67,779,293
Stockholders' equity:		
Series A preferred stock, par value $.10 per share, authorized, issued and outstanding 74,000 shares	1,850,000	1,850,000
Common stock, par value $.10 per share, authorized 3,330,000 shares, issued 3,156,522 shares	315,652	315,652
Additional paid-in capital	6,078,378	6,078,378
Accumulated deficit	(3,141,230)	(3,093,677)
Treasury stock, at cost, 72,093 shares	(105,799)	(105,799)
Unrealized losses on marketable equity securities	(68,692)	(71,951)
Total stockholders' equity	4,928,309	4,972,603
	$71,518,317	72,751,896

See accompanying notes to consolidated financial statements.

ACAP CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
THREE MONTHS ENDED MARCH 31, 1992 AND 1991
(UNAUDITED)

	1992	1991
Revenues:		
Premiums and other considerations	$ 1,487,980	1,679,510
Net investment income	1,150,194	1,380,732
Other income	40,157	49,952
Total revenues	2,678,331	3,110,194
Benefits and expense:		
Death benefits	841,512	1,040,657
Other benefits	551,799	524,444
Dividends to policyholders	27,282	43,521
Commissions and general expenses	816,918	958,886
Interest expense	174,949	257,332
Amortization of deferred policy acquisition costs	219,749	232,144
Amortization of costs in excess of net acquired business	14,736	14,736
Total benefits and expenses	2,646,945	3,071,720
Income before federal income tax expense	31,386	38,474
Federal income tax expense	35,000	--
Net income (loss)	$ (3,614)	38,474
Net income (loss) per common share:	$ (.02)	--

See accompanying notes to consolidated financial statements.

ACAP CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 1992 AND 1991
INCREASE (DECREASE) IN CASH (UNAUDITED)

	1992	1991
Cash flows from operating activities:		
Net income from operations	$ (3,614)	35,474
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	41,228	43,126
Amortization of policy acquisition costs	219,749	134,725
Premium and discount amortization	(18,867)	(10,687)
Realized gains on sale of investments	(47,196)	(88,016)
Loss on sale of block of business	--	97,419
Decrease in accrued investment income	44,026	12,604
Decrease in accounts receivable	45,956	106,080
Decrease (increase) in other assets	(15,780)	173,911
Decrease in future policy benefits	546	(15,146)
Increase (decrease) in contract claims	(268,256)	(168,677)
Increase (decrease) in other policyholders' funds	7,160	26,447
Increase (decrease) in other liabilities	(267,977)	(309,408)
Net cash provided (used) by operating activities	(263,025)	40,852
Cash flows from investing activities:		
Proceeds from sales of investment securities	4,094,076	2,249,483
Purchase of investment securities	(5,420,900)	(856,523)
Principal repayments on mortgage loans	171,461	70,757
Net decrease (increase) in policy loans	20,843	(2,739)
Net decrease (increase) in short-term investments	2,104,784	(1,165,795)
Purchase of property and equipment	(2,542)	(76,318)
Net cash transferred on sale of block of business	--	(464,245)
Net cash provided (used) by investing activities	967,722	(245,380)
Cash flows from financing activities:		
Principal payments on notes payable	(256,000)	(106,000)
Deposits on policy contracts	303,988	444,244
Withdrawals from policy contracts	(708,746)	(821,853)
Preferred dividends paid	(43,939)	(55,500)
Net cash provided (used) by financing activities	(704,697)	(539,109)
Net increase (decrease) in cash	--	(743,637)
Cash at beginning of period	--	842,445
Cash at end of period	$ --	98,808

See accompanying notes to consolidated financial statements.

ACAP CORPORATION AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated balance sheet as of March 31, 1992 and the condensed consolidated statements of operations and cash flows for the three month periods ended March 31, 1992 and 1991, have been prepared by Acap Corporation (the "Company"), without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations, and changes in cash flows at March 31, 1992 and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's December 31, 1991 annual report to shareholders. The results of operations for the three month periods ended March 31, 1992 and 1991 are not necessarily indicative of the operating results for the full year.

2. EARNINGS PER SHARE

Earnings per common share is computed by dividing net income (less dividends paid on preferred stock of $43,939 and $55,500 for March 31, 1992 and 1991, respectively) by the weighted average number of shares of common stock outstanding (3,084,429 at March 31, 1992 and March 31, 1991).

3. STOCKHOLDERS' EQUITY

During the three months ended March 31, 1992, stockholders' equity changed for the following items: Decrease in net unrealized investments losses on equity securities of $3,259; net loss of $3,614; and cash dividends paid on preferred stock of $43,939.

4. SUPPLEMENTAL INFORMATION REGARDING CASH FLOWS

Cash payments for interest expense for the three months ended March 31, 1992 and March 31, 1991 were $208,212 and $292,886, respectively. A cash payment of $35,000 for federal income tax expense was made during the three months ended March 31, 1992.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Premium income declined 11% in the first quarter of 1992 compared to the first quarter of 1991. The decrease in premiums is attributable to normal policy terminations from surrenders, lapses, deaths and maturities. Policies reaching the end of the premium paying period and achieving a paid up status also contributed to the decline in premium income.

Net investment income declined 17% in the first quarter of 1992 compared to the first quarter of 1991. The decline in net investment income resulted from the decline in market interest rates and the general decline in invested assets.

Total revenues for the three months ended March 31, 1992 were 14% lower than revenues for the three months ended March 31, 1991. Revenues can generally be expected to decline under the Company's acquisition-oriented business strategy until the Company identifies and acquires another block of premium paying business.

Policy benefits (which include death benefits, dividends to policyholders, and other policy benefits) were 53% of total revenue during the first quarter of 1992 compared to 52% of total revenue during the first quarter of 1991.

Total expenses (which include commissions and general expenses, interest expense and the amortization of both deferred acquisition costs and costs in excess of net assets of acquired business) were 46% of total revenue during the first quarter of 1992 compared to 47% of total revenue during the first quarter of 1991.

The Company had a net loss of $3,614 for the three months ended March 31, 1992 compared to net income of $38,474 for the three months ended March 31, 1991.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 1992, the Company maintained 8% of consolidated assets in cash and short-term investments compared to 10.7% of consolidated assets at December 31, 1991. The Company has continued investing a portion of cash and short-term investments in longer duration securities as market interest rates continue at low levels. The Company continues to hold a higher percentage of its invested assets in cash and short-term investments than the industry average. Negative cash flows from operations, withdrawals from annuities and other interest-sensitive policies issued by the Company exceeding the cash deposits received on those policies, and debt service requirements resulted in a net reduction in assets during the first quarter.

At March 31, 1992, the Company had notes payable with outstanding principal balances totalling $9,350,000. The Company services the notes payable through a surplus debenture issued by American Capitol Insurance Company ("American Capitol") the Company's wholly-owned subsidiary.

The Company does not have sufficient funds at the parent level to pay the Preferred Stock dividend payments scheduled for May 15, 1992. Subject to obtaining approval from the Company's bank lender (which the Company expects to receive) the Company will borrow funds from related parties which will be sufficient to fund the above mentioned Preferred Stock dividend payments. The loans will be evidenced by unsecured notes which the Company will have the right to pay at any time and which are payable on demand of the noteholders, bearing interest at a rate that matches the dividend rate on the Preferred Stock, which is based on the prime rate of a Pittsburgh bank plus 2%. Also, if the notes are not paid on or before December 31, 1992, a conversion right will arise in favor of each noteholder to convert the notes to shares of authorized but unissued common stock of the Company (to the extent that the same exists) at a per share price equal to the lowest bid price that may exist from time to time between the date of the notes and the date on which the conversion right is exercised.

In the future, the options for providing funds to make preferred stock dividend payments include: obtaining a waiver from the Company's bank lender to make prepayments on American Capitol's surplus debenture, borrowing funds from affiliates, restructuring the surplus debenture and bank debt in connection with a future acquisition to provide payments from American Capitol to the Company in excess of debt servicing needs, obtaining approval from state regulatory authorities for extraordinary dividend payments from American Capitol, or raising additional equity in the Company.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Quarterly Report of Form 10-Q for the quarter ended March 31, 1992 to be signed on its behalf by the undersigned thereunto duly authorized.

ACAP CORPORATION

Date: May 13, 1992

By: _____
William F. Guest, President

By: _____
John D. Cornett, Treasurer
(Principal Accounting Officer)